



Arkansas

State Revenue Tax Quarterly

Mike Huckabee, Governor

Department of Finance & Administration Revenue Division

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Streamlined Sales Tax System
For the 21st Century

the Agreement. Those states are Kentucky, Minnesota, North Carolina, South Dakota, Utah, West Virginia, and Wyoming.

ACT 1273

The Streamlined Sale Tax Project has been approved by Arkansas. Sen. Jim Hill introduced legislation, Senate Bill 483, now Act 1273 of 2003, which will bring Arkansas tax laws into compliance with the Streamlined Sales Tax Agreement ("Agreement") passed by the implementing states in November 2002. Under this act, the local tax caps (\$2,500) will be removed beginning January 1, 2006, from everything except motor vehicles, boats, airplanes and mobile homes. In addition, the laws governing which tax rate applies to a transaction will change to the point of delivery and Texarkana residents will no longer be entitled to the Texas sales tax exemptions.

These changes will become effective when at least ten (10) states representing at least twenty (20) percent of the population of all states imposing a sales tax are found to be in compliance with the Agreement. Currently, seven (7) states plus the District of Columbia have enacted legislation bringing their tax laws into compliance with



ESTATE TAX

Act 645 of 2003

Act 645 of 2003 amends the Estate Tax, Arkansas Code §§ 26-59-106(a), 26-59-107(a), 26-59-111(a), and 26-59-113(c), to comply with the federal amounts in effect on January 1, 2002, (changed from January 1, 1999). Arkansas Code § 26-59-103 was amended to say that this chapter shall cease to be operative when the federal Credit for State Death Taxes is repealed completely for the estates of decedents dying on or after January 1, 2005.

The Phase-in of Filing Requirement Amounts, ACA §26-59-109(a), was raised for years 2002 through 2009 and thereafter.

In the case of decedents dying in

<u>YEAR</u>	<u>Previous amount</u>	<u>New amount</u>
2002 & 2003	700,000	1,000,000
2004	850,000	1,500,000
2005	950,000	1,500,000
2006-2008	1,000,000	2,000,000
2009		3,500,000

A copy of this Act and other Acts can be found on the State website, <http://www.arkleg.state.ar.us/>.

GOVERNOR HUCKABEE SIGNS INCOME TAX BILL ADOPTING RECENT FEDERAL TAX LAW CHANGES REGARDING IRA's, DEFERRED COMPENSATION, AND RELATED RETIREMENT PLANS.

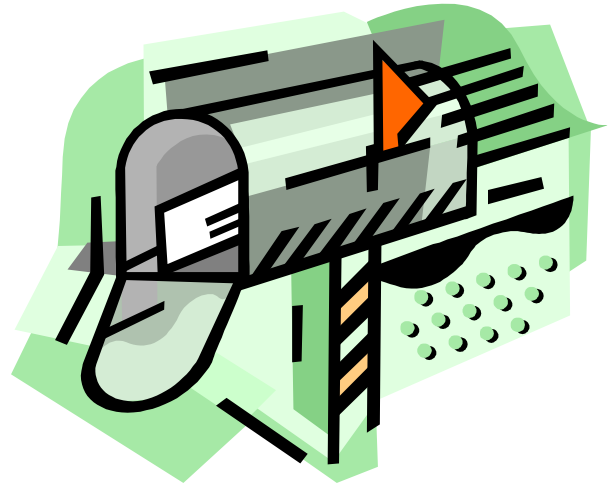
ACT 218 of 2003

Governor Huckabee signed legislation on February 27, 2003 that adopts the federal income tax changes for IRA's, Deferred Compensation Plans, and related Retirement Plans, made pursuant to the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA). Act 218 of 2003 readopts federal law regarding contributions to and taxation of various retirement savings accounts, plans and programs.

The Arkansas income tax changes are effective for tax years beginning January 1, 2002 and later.

This will allow Arkansas taxpayer to take advantage of increased annual contribution limits for state income tax purposes. The Act also readopts federal law regarding the taxation of educational IRA's and allows Arkansas taxpayers to take advantage if

increased annual contribution limits for educational IRA's for state income tax purposes.



FINAL ASSESSMENT LETTERS

Act 214 of 2003 eliminates the requirement that Final Assessment letters be mailed using Certified Mail. From the date of this Act, February 27, 2003, all notices that are required to be given by the Director to a taxpayer shall be either by personal service or sent by regular mail to the taxpayer's last address on record.

SALES TAX TIP

A bad debt is any portion of a debt the taxpayer has reported as taxable, which the taxpayer legally claims as a bad debt deduction for federal income tax purposes. The bad debt deduction is allowed once a year at the time the taxpayer declares a debt uncollectible for federal income tax purposes. Bad debts include, but are not limited to, worthless checks, worthless credit card payments and uncollectible credit accounts.

Bad debts must be declared within three years of the date of the sale for which the debt was incurred. If a deduction is taken for a bad debt and the taxpayer subsequently collects the debt in whole or in part, the tax on the amount collected shall be paid and reported on the next return date after the collection.

Another solution for handling bad debts, especially for taxpayers who are not required by law to file a federal income tax return (such as non-profit entities) is to report sales on a "cash received" basis. Businesses that do all or a large part of their business on a credit basis may apply to the Commissioner of Revenue for permission to report their sales based on cash actually

received. If the taxpayer is in good standing (all reports filed and paid and no accounts receivable or audit balances outstanding) then permission is usually granted for reporting on cash basis. Any taxpayer granted permission to report based on cash received shall be taxed on the gross receipts collected by him during the tax period including, but not limited to, all service charges, late payment penalties, bad debts, losses or expenses. Once approved for reporting on cash basis, the taxpayer would begin on the first of the month following the month approval is granted.

When the taxpayer closes his business or wishes to convert to accrual reporting he must, at that time, report the balance in his accounts receivable account as a sale on the sales tax report and pay the tax on it.

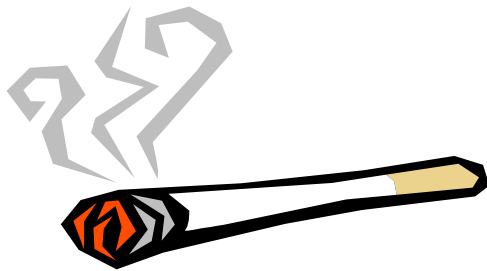
Again, a taxpayer **must apply for and receive permission** to report on a cash basis. Requests for cash basis approval should be sent to Janet Yates, Sales and Use Tax Section, PO Box 1272, Little Rock AR 72203.

STATE ID NUMBER

Some tax preparation software applications require the ID number of the payer for State of Arkansas Income Tax Refunds to be entered. This ID number is:

71-0847443

UNFAIR CIGARETTE SALES ACT



ACT 627 of 2003

Act 627 of 2003 of the 84th General Assembly changes the presumptive markup on cost to the retailer from 6% to 7½% effective March 25, 2003. Retailers must sell cigarettes to the consumer at least 7½ % above their cost. Additional information is available from the Arkansas Tobacco Control Board, (501) 682-9756

EXCISE TAX ON BEER EXTENDED

Act 272 of 2003 extends the expiration date on the 3% Beer Excise tax from June 30, 2003 to June 30, 2005.

INDIVIDUAL TAX REFUNDS PROCESSED

As of March 31, 2003

Year	Number	Amount
03	519,124	164,143,718
02	459,929	132,178,873
Increase	59,195	31,964,845

The number of individual income tax refunds processed by the Department of Finance and Administration for the first quarter of 2003 increased by 12.9% from the previous year. Of this variance, approximately 37,500 of the additional refunds are from enhanced e-file, and the remaining refunds are from expedited paper processing.

Changes in Individual and Corporation Filing Deadlines

Act 774 of 2003 changes the individual and Corporation filing deadlines to match the federal deadlines. Beginning with tax years January 1, 2003 and later, individual income tax returns will be due April 15, or 3½ months after the close of the taxpayer's fiscal year. Corporation income tax returns will be due March 15, or 2½ months after the close of the taxpayer's fiscal year.

Beginning in 2004, estimated payments due dates for individuals will be April 15, June 15, September 15, 2004; and January 15, 2005. Corporate estimates will be due April 15, June 15, September 15, and December 15, 2004, for calendar year filers.

CHANGES IN SALES & USE TAX

Please Call (501) 682-7104 For Periodic Updates
Regarding Local Sales and Use Taxes
www.accessarkansas.org/salestax

Name	Code	Effective Date	%	Recent Action
Eureka Springs	08-01	04/01	2.25	Increased from 2%
Fulton Cty	25-00	04/01	1.5	Increased from 15
Greenwood	65-06	04/01	0	Rescinded from 1%
Marianna	39-01	02/01	2	Increased from 1%
Prescott	50-01	04/01	1	Decreased from 2%
Sherrill	35-07	04/01	1	Enacted

Internet Information

Business and Personal Tax Page

<http://www.accessarkansas.org/dfa/taxes/index.html>

Telephone Information

Corporate Income Tax (501) 682-4775

Taxpayer Assistance for (501) 682-1100
Individual Income Tax 1-800-882-9275

Automated Refund Inquiry (501) 682-0200
& Tele-tax Information 1-800-438-1992

IRS (Internal Revenue Service)

<http://www.irs.gov> 1-(800) 829-1040

Filing Extension For Military Personnel

Arkansas follows the federal guidelines for extension of individual tax returns. Please refer to Publication 3, Armed Forces Tax Guide, on the IRS Web site for guidelines on Military Personnel.

Calendar of Due Dates

April 15

Employee monthly withholding tax

April 21

Sales and Use tax

May 15

Employee monthly withholding tax

Ark Income tax returns due

(Based on calendar yr filers; due
4½ months after end of tax year)

1st Qtr Estimates due (calendar yr filers)

May 20

Sales and Use tax

The Arkansas State Revenue Tax Quarterly is a publication of the Taxpayer Assistance Office. The newsletter is produced and distributed electronically to tax professionals, businesses, and organizations operating in Arkansas. To be added to or deleted from the email list, contact Linda Holmstrom, phone (501) 682-7751, send an email to linda.holmstrom@rev.state.ar.us, or write to P. O. Box 1272, Ragland Building, Room 2077, Little Rock, Arkansas 72203-1272.